

19 June 1963

Colonel White:

For your info, the back-ground to the attached memo to the Comptroller re purchase of RCA 501 equipment was received today and is attached.

[Redacted] sbo
WJ
Registry - File

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MORI/CDF Pages 7-14

DD/S 63 - 2431

ADMINISTRATIVE - INTERNAL USE ONLY*Equip & Supplies*

6 June 1963

MEMORANDUM FOR: Comptroller**SUBJECT** : Purchase of RCA 501 Computer Equipment**REFERENCE** : (a) Memorandum for DD/S frm Comptroller
dtd 20 May 63, same subject(b) Memorandum for Comptroller frm ADPD
dtd 15 May 63, same subject

1. The meeting of 4 June 1963, attended by representatives of RCA, the Office of the Comptroller, and the Automatic Data Processing Staff disclosed a number of changes and additions to RCA's previous discount plans (contained in Reference b) for purchase of the RCA 501 system. Essentially these were:

a. The maximum discount that would be allowed to the U. S. Government is 30% for three or more RCA 501 systems purchased in a calendar quarter. (Note: The accumulated purchase options are also discounted 30% in computing net cost.)

b. No discount is allowed on components which are not unique to the 501 system. For example, Type 581 Tape Stations.

c. No time purchase plan is available to the U. S. Government.

2. An analysis by components showed that as of 1 June 1963, the purchase option allowances on our computer have accumulated at a much greater rate than on the tape stations. In addition, annual maintenance costs (after purchase) would be approximately \$7,000 for the computer

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compared to approximately \$20,000 for the tape stations. These factors argue in favor of purchasing the computer equipment without tape stations. If this is done effective 1 June 1963, our FY 63 purchase cost for the computer would come to [redacted] and our projected "break-even" point would occur in about 13 months hence. At that time, our combined purchase and maintenance costs will have equaled accumulated monthly rental costs.

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3. Also included in your proposal is a request to purchase three Type 525 Tapewriter-Verifier Machines at a total net cost of \$4,767. Since this equipment is similar to Flexowriters, which the Agency normally purchases rather than rents, I agree that purchase would be timely.

4. In view of the short period of time required to reach a break-even point on equipment cost, I concur in your proposal to purchase the RCA 501 computer, exclusive of tape stations.

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[redacted]
Chief
CIA Automatic Data Processing Staff

cc: DD/S ✓

7/14 8:40 AM '63

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Remarks:

Re - This is the SOI
document which
I discussed
w/ you by phone.

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Remarks:

The annexed proposal to purchase the
RCA 501 makes sense to me from a financial
point of view. Will you be kind enough to let
us have your views.

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